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Nov 9th, 12:00 AM

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Chi, Ting; Tansuhaj, Patriya; and Sun, Yao, "International Entrepreneurship Activities and Business Performance: An Empirical Study of Chinese Textile and Apparel SMEs" (2016). *International Textile and Apparel Association (ITAA) Annual Conference Proceedings*. 45. https://lib.dr.iastate.edu/itaa_proceedings/2016/posters/45

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International entrepreneurship activities and business performance: an empirical study of Chinese textile and apparel SMEs

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Keywords: International entrepreneurship activities, performance, Chinese SMEs

Since the 1990s, scholars, marketers, and governments have started to view international entrepreneurship as a crucial means to enhance performance of firms and economies (Keupp and Gassmann, 2009). Most of prior studies utilize organizational characteristics, environmental factors, and firm strategies as independent variables to explain international entrepreneurship activities and performance (Jones et al., 2011). While much has been learned from these efforts, many important issues remain unresolved because of research limitations or emerging nature of this field (Peiris et al., 2012). Kiss et al. (2012) indicate that past research in international entrepreneurship has focused primarily on high-tech industries or large corporations with samples mostly from the U.S. and other developed countries. There is a pressing need of both theoretical and empirical research in international entrepreneurship for small- and medium-sized enterprises (SMEs) in developing countries or emerging economies in particular (Terjesen et al., 2016).

SMEs are a significant mechanism for economic development in China. In the Chinese textile and apparel industry, SMEs account for 78% of output and 72% export while providing 85% of employment. In 2014, more than 60% of Chinese textile and apparel SMEs were involved in international business directly or indirectly, generating estimated revenue of \$215 billion (Chinese Textile and Apparel Annual Report, 2015). The purpose of this study was to examine the relationship between international entrepreneurship activities and firm performance in a context of Chinese textile and apparel SMEs. The specific objectives were to: 1. understand SME international entrepreneurship activities in terms of their antecedents and effects on firm performance; and 2. provide implications for industrial practitioners and policy makers on how to use international entrepreneurship activities to enhance competitive advantage of Chinese SMEs in the international marketplace. Three constructs - entrepreneurial orientation (EO: innovativeness, proactiveness, and risk-taking), global mindset (GM: ethnocentric, polycentric, and geocentric), and imitative capability (IC) were investigated as the antecedents of SME international entrepreneurship activities. International entrepreneurship was measured by three dimensions - finance (i.e. foreign direct investment), strategies (i.e., strategic alliances, licensing), and operations (i.e., imports, exports). Firm performance was measured by both financial performance (i.e., return on assets (ROA), return on sales (ROS), and return on equity (ROE)) and strategic performance (i.e., competitive capability, technological learning, managerial insight, and business contacts). Figure 1 illustrates the proposed research model.

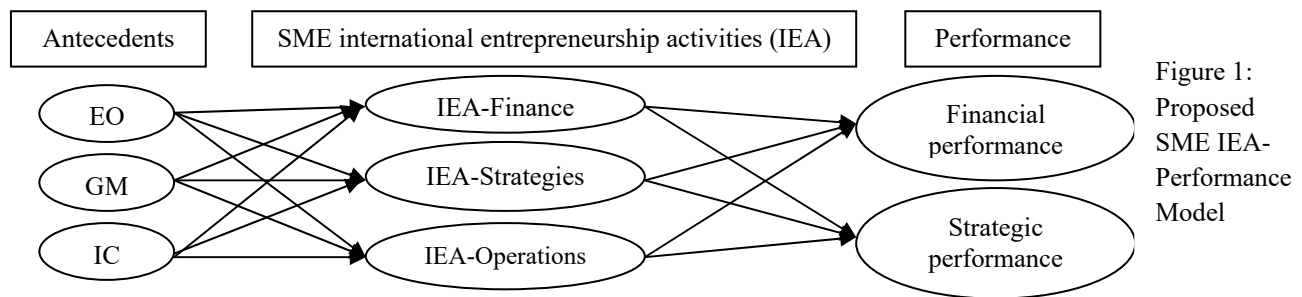


Figure 1:
Proposed
SME IEA-
Performance
Model

A two-phase survey through a market research company was utilized for collecting the primary data in 2015. In the first wave, top executives in 1,000 SMEs were contacted and solicited to participate in the survey, which contained demographic questions and the questions for entrepreneurial orientation, global mindset, imitative capability, and international entrepreneurship activities. We received 196 usable responses. Three months later, we contacted the respondents from the first survey to gather the data on the firm's performance. We received 178 complete responses (17.8% final response rate). This data collection method helps eliminate the biases due to common method variance (Mariadoss, et al., 2016). Factor analysis and structural equation modeling were utilized for data analysis and hypothesis testing.

Results show that IEA-strategies and IEA-operations are positively affected by EO-innovativeness, proactiveness, and risk-taking while IEA-finance is only positively affected by EO-proactiveness and risk-taking. GM-polycentric and geocentric and IC positively affect IEA-finance, IEA-strategies and IEA-operations. Firm's financial performance is positively affected by IEA-strategies and IEA-operations while strategic performance is positively affected by all IEA. The findings reveal that Chinese SMEs can gain financial benefit and achieve strategic competencies through strategic alliances, licensing, export and import activities. Although FDI may improve strategic performance, it doesn't result in positive financial outcome directly which might be due to lack of economies of scale for SMEs. In order to promote international entrepreneurship activities among SMEs, cultivating entrepreneurial orientation and fostering global mindset are critical, which government may facilitate by policy incentives and/or financial and personnel support. Given resource and capability limitations, imitation remains a more viable and common strategy than innovation for SMEs to succeed in international entrepreneurship activities.

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